

PREAPPROVED BY

Mechel OAO's Board of Directors

(Board Minutes dated 23 May 2014)

APPROVED BY

Mechel OAO's Annual General Meeting

MECHEL OAO

2013 ANNUAL REPORT

Chief Executive Officer

Oleg V. Korzhov

Chief Accountant

Valentina G. Nekrasova

2014

TABLE OF CONTENTS:

#	Section	Page
1	<i>COMPANY PROFILE</i>	3
2	<i>POSITION IN THE INDUSTRY</i>	14
3	<i>PRIORITY BUSINESSES</i>	15
4	<i>DIRECTORS' REPORT ON THE COMPANY'S PERFORMANCE IN THE PRIORITY AREAS OF ITS BUSINESS</i>	15
5	<i>COMPANY DEVELOPMENT OUTLOOK</i>	16
6	<i>DIVIDENDS PAID (ANNOUNCED) ON THE COMPANY'S SHARES</i>	18
7	<i>KEY RISKS AND UNCERTAINTIES</i>	18
8	<i>LIST OF TRANSACTIONS ENTERED INTO BY THE COMPANY IN THE REPORTING YEAR THAT ARE MAJOR TRANSACTIONS IN THE MEANING OF THE JOINT STOCK COMPANIES FEDERAL LAW AS WELL AS OTHER TRANSACTIONS THAT ARE SUBJECT TO APPROVAL AS MAJOR TRANSACTIONS AS REQUIRED BY THE COMPANY'S CHARTER; LIST OF TRANSACTIONS ENTERED INTO BY THE COMPANY IN THE REPORTING YEAR THAT ARE RELATED-PARTY TRANSACTIONS IN THE MEANING OF THE JOINT STOCK COMPANIES FEDERAL LAW</i>	20
9	<i>BOARD OF DIRECTORS, INCLUDING INFORMATION ON ANY MEMBERSHIP CHANGES OCCURRING IN THE REPORTING YEAR, AND DIRECTORS' DETAILS, INCLUDING BRIEF BIOGRAPHICAL PROFILES AND INTERESTS HELD IN THE COMPANY IN THE REPORTING YEAR</i>	20
10	<i>SOLE EXECUTIVE BODY</i>	28
11	<i>DETERMINATION CRITERIA AND AMOUNT OF REMUNERATION PAID OR PAYABLE FOR THE REPORTING FISCAL YEAR TO THE PERSON ACTING AS THE COMPANY'S SOLE EXECUTIVE BODY AND EACH OF THE COMPANY'S DIRECTORS</i>	30
12	<i>COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT</i>	30
13	<i>APPENDIX 1 TO THE ANNUAL REPORT OF MECHEL OAO FOR FINANCIAL YEAR 2013</i>	46
13.1.	<i>LIST OF TRANSACTIONS SETTLED BY THE COMPANY IN THE REPORTING YEAR RECOGNIZED IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES AS INTERESTED-PARTY TRANSACTIONS AND THAT ARE REQUIRED TO BE APPROVED BY THE AUTHORIZED MANAGEMENT BODY OF THE COMPANY PURSUANT TO CHAPTER XI OF THE FEDERAL LAW ON JOINT STOCK COMPANIES</i>	46

1. COMPANY PROFILE

Mechel OAO (hereinafter also referred to as the “Company”) is an open joint stock company incorporated under the laws of the Russian Federation. From the moment of its establishment on 19 March 2003 until 19 August 2005, the Company was known as Mechel Steel Group OAO.

The Company is registered by the Federal Tax Service under state registration number 1037703012896. Its registered seat and principal place of business is 1 Krasnoarmeyskaya St., Moscow 125993, Russian Federation.

As of the date of its establishment, Mechel OAO’s share capital totalled 3,829,690,860 Russian Rubles and consisted of 382,969,086 ordinary registered uncertified shares with a par value of Ten (10) Russian Rubles each paid up in shares of steel and mining companies.

As of 31 December 2011, Mechel OAO’s share capital amounted to 5,550,276,600 Russian Rubles and consisted of 416,270,745 ordinary registered uncertified shares with a par value of Ten (10) Russian Rubles each and 138,756,915 preferred registered uncertified shares with a par value of Ten (10) Russian Rubles each.

In June 2004, Mechel OAO’s ordinary shares were admitted to trading at RTS OAO under ticker “MTLR” followed by inclusion into Level 2 quotation list “A” in October 2008. RTS OAO ceased to exist in December 2011 as a result of its merging with MICEX (MICEX ZAO), currently known as Moscow Exchange MICEX-RTS, an Open Joint Stock Company (OJSC Moscow Exchange). In this connection, Mechel OAO’s ordinary registered shares were taken away from Level 2 quotation list “A” at RTS OAO.

In December 2008, Mechel OAO’s ordinary registered shares were admitted to trading at MICEX OAO as part of quotation list “B”. In March 2009, the shares were moved to Level 1 quotation list “A”. Since the establishment of OJSC Moscow Exchange in December 2011, Mechel OAO’s ordinary registered shares have only been traded as part of Level 1 quotation list “A” at OJSC Moscow Exchange.

Since October 2004, Mechel OAO’s ordinary registered shares have been traded outside Russia as Level 3 American Depositary Receipts (the “ADRs”) at the New-York Stock Exchange under ticker symbol “MTL”. Each ADR represents one ordinary share of Mechel OAO.

Since 7 May 2010, Mechel OAO’s preferred shares have been listed on the New York Stock Exchange. Mechel OAO’s preferred shares are represented by preferred American Depositary Receipts. Each Preferred ADR stands for one half of a preferred share (1 preferred ADR = ½ preferred share).

In April 2011, Mechel OAO’s preferred shares were admitted to stock trading at RTS and MICEX ZAO with no listing required, and were put on Level 1 quotation list “A” at MICEX that is currently known as OJSC Moscow Exchange in July 2011.

RTS OAO ceased to exist in December 2011 to merge with MICEX ZAO (currently known as OJSC Moscow Exchange), and Mechel OAO’s preferred shares were excluded from the list of securities admitted to trading at RTS OAO without any listing required. Since the establishment of OJSC Moscow Exchange in December 2011, Mechel OAO’s preferred shares have only been traded as part of Level 1 quotation list “A” at OJSC Moscow Exchange.

Price Evolution in 2013: ADRs Backed by Ordinary Shares



The Company's shareholder register is kept by Registrar NIKoil Company, Joint Stock Company, located at: 8 Ivan Franko str., Moscow 121108, Russia, acting under the open-end License No. 10-000-1-000290 issued by FFMS (Federal Financial Markets Service) of Russia on 17 June 2003.

Mechel OAO is a parent company owning subsidiaries and associates that make up a holding company together with their affiliates (hereinafter collectively referred to as "Mechel", "Company" or the "Group").

Mechel OAO was established in 2003 comprising a number of mining and steel assets. Today Mechel is one of the leading Russian companies, a vertically integrated Group comprising the producers of coal, iron ore, steel, rolled products, ferrosilicon, heating and electric power. Also, the Company owns a logistic company and a transport operator. The Group's own sales and distribution assets market the Company's products in Russia, Europe, Middle East, and Americas. The Group's assets represent the whole production chain from raw materials to high value added products. Mechel markets its products

both domestically and internationally. 90.5 thousand people are currently employed by the Group. Mechel's assets operate in 11 regions of Russia, USA, Ukraine and Lithuania.

Mechel OAO is the first and so far the only NYSE-listed mining and steel company in Russia as well as Eastern and Central Europe.

In 2013, the Group's revenues totalled US\$ 8.6 billion, net loss amounted to US\$ 2.9 billion, consolidated adjusted EBITDA was US\$ 730 million (US GAAP values).

Mechel is the world's second largest coking coal concentrate producer (according to GUP Central Dispatching Department of the Fuel and Energy Complex) and the largest exporter by volume of coking coal in Russia (according to RasMin Ltd.).

Mechel is Russia's second largest producer of long products and the nation's largest and most diversified producer of specialty steels and alloys in Russia (according to information agency "Metal-Courier", Corporation of Ferrous Metals Producers Ltd (Chermet)).

Mining Segment

Mechel Mining, a subsidiary of Mechel OAO, comprises the Group's mining and coke and by-product assets represented by Southern Kuzbass OAO, HC Yakutugol OAO, Korshunov Mining Plant OAO, Mechel Bluestone Inc, MosCoke OAO and Mechel Coke OOO. A sole managing body to control the Group's coal and iron ore mining operations and cokeries is Mechel Mining Management, a wholly-owned subsidiary of Mechel Mining OAO.

Southern Kuzbass Coal Company and its branches develop the coal deposits of Kuznetsk Basin, near the city of Mezhdurechensk in the south-western part of Siberia. The company assets include four coal pits, three mines, four washing plants and one washing unit.

HC Yakutugol OAO developing coal deposits, located in Republic of Sakha (Yakutia) in East Siberia. Yakutugol operates three open pit coal mines, one underground coal mine and one washing plant. Yakutugol operates three open pit coal mines, one underground coal mine and one dressing mill. Yakutugol is also a license holder for Pionerskoye, Sivaglinskoe, Sutamskoe iron ore deposits. Currently the company is implementing a big project related to **Elga Coal Complex** development. Elga deposit is one of the largest deposits of coking coal of high quality with the licensed JORC reserves of about bn 2.2 ton. The development of the first line of Elga open pit mine was started in August 2011. Through traffic was commissioned through the 321 km long railroad line built by Mechel to connect the deposit with the Baikal-Amur Mainline. This is the only big transportation project in Russia being implemented by private business. A seasonal washing plant was commissioned at Elga deposit in September 2012 with washing of the first batch of coking coal. About 200,000 tonnes of ROM coal was mined by December 2013. The project financing totalled up to Bn 2.5 US dollars for the further development of Elga Coal Complex was approved for Mechel by Vneshekonombank, a state corporation, in September 2013.

Mechel Bluestone Inc. operates three coal mining complexes in West Virginia, USA, represented by several open mining pits and mines and four washing plants.

Mechel Bluestone Inc. also provides coal washing services both to its coal mining/dependant subsidiaries and to third parties.

Korshunov Mining Plant operates two iron ore open pits and manages a processing plant located near the town of Zheleznogorsk-Ilimsk in Irkutsk Region in East Siberia. The license for iron ores extraction from Tatyansky expired in 2012. Besides, the license for the extraction of iron ores from Krasnoyarsky deposit was early terminated by Korshunov Mining Plant OAO due to technical, economic and geological reasons making further development of this deposit inexpedient.

Mining Segment also includes two coke making enterprises: **Moscok** OAO located in the town of Vidnoye, Moscow Region, and **Mechel-Coke OOO** located in Chelyabinsk. The above mentioned assets produce coke both for internal use and for third parties.

Steel Segment

Mechel Steel Segment enterprises are managed by Mechel-Steel Management Company OOO.

The Group's steel segment produces steel billets and slabs, carbon and specialty long products, carbon, alloy and stainless flat products and value added metal products, including steel ware, stampings, and forgings.

The Group's Russian steelmaking facilities include two steel mills – **Chelyabinsk Metallurgical Plant** (based in Chelyabinsk) and **Izhstal** (based in Izhevsk).

The Company also comprises a number of steel ware producers: **Beloretsk Metallurgical Plant** (based in Beloretsk), **Urals Stamping Plant** based in Chebarkul (a stampings and forgings manufacturer), **Vyartsilya Metal Products Plant** in the north-west of Russia near the Finnish-Russian border.

Ferroalloy Segment

Mechel's ferroalloy assets are operated by its subsidiary – **Oriel Resources**, with **Mechel Ferroalloys Management Company OOO** acting as the sole executive body of the ferroalloy segment's production facilities. Mechel is a third big ferrochrome producer in Russia and a third big ferrosilicon producer in Russia (according to Metal Courier).

The ferroalloy segment is represented by **Bratsk Ferroalloy Plant** located in Bratsk and by **Southern Urals Nickel Plant** located in Orsk (conservated).

Power Segment

The enterprises of Mechel Power Segment produce electric power, heating power and other types of power resources to cater for the production needs of the Group enterprises, sell power surpluses to the market, supply power from wholesale market of electric power (power) are satisfy the power consumption of a number of towns.

Mechel Energo, a subsidiary of Mechel OAO, consolidates the Group's power assets. The Group's power segment is represented by **Southern Urals Power Station** OAO (based in Kaltan, Kemerovo Region), Kuzbassenergosbyt, the largest electricity distributor in Kemerovo Region. Mechel Energo has power generating resources and is servicing heat network systems stations in Kemerovo and Chelyabinsk regions, the Udmurtian Republic, the Republic of Bashkortostan and Moscow region.

To reach the maximum level of effectiveness in the delivery of goods to consumers Mechel is actively developing its own logistics chain. Mecheltrans OOO is the Group's general forwarding agent comprising sea ports in the Sea of Japan (Trade Port Posyet OAO) and in the Azov Sea (Port Mechel Temryuk OOO) The Group also runs a number of logistics assets: cargo sea ports on the Sea of Japan (Posiet Trading Port) and Azov Sea (Mechel Temryuk Port) and a cargo river port on the Kama River, a tributary of Volga, in the central Russia (Kambarka Port). Also, Mechel boasts a huge fleet of railcars. More than Mio 40 ton of cargo was transported by the company in 2013. Mining products, steel products, and ferroalloys are marketed and distributed domestically and internationally by Mechel-run trading companies. The Group uses a well-developed network of subsidiaries, branches, warehouses, service centres and agents outside Russia to market its products internationally as well as a Russia-based sales and distribution subsidiary selling steel products domestically. This platform comprises 70 regional units in 52 Russian cities as of 31 December 2013.

The Company has the following representative offices:

- Representative office (established in August 11, 2009) in the Republic of Korea with its registered office at: 945-10 Daechi-dong Gangnam-gu, Seoul, South Korea;
- Representative office (established in September 24, 2009) in Japan with its registered office at: No. 302 Atagoyama Bengoshi Building 1-6-7 Atago Minato-ku, Tokyo 105-0002;
- Representative office (established in December 17, 2009) in the People's Republic of China with its registered office at: Rm. 401-055, on the 4th Floor of Wangtong Center, Unit 1, Building 6, Chaoyangmenwai Dajie, Chaoyang District, Beijing 100020, China;
- Representative office (established in September 28, 2011) in the Republic of Belarus with its registered office at: 7 Ignatenko str., Minsk 220029, Republic of Belarus.

Mechel's Production Operations



Mechel's Major Production Operations Include:



Southern Kuzbass Coal Company, Open joint Stock Company (based in Mezhdurechensk, Kemerovo region), is one of Russia's largest coking and steam coal producers. Mining operations are represented by four open pit mines (Krasnogorsk, Sibirginsk, Olzherassk and Tomusinsk open pit mines) and three underground mines (Olzherassk-New, Lenin and Sibirginsk mines). Coal processing assets comprise four coal washing plants: Siberia, Kuzbass, Krasnogorsk, Tomusinsk and Sibirginsk. Total rated coal washing capacity is some 17 million tonnes of coal per annum. As of 31 December 2013, JORC reserves total some 623 million tonnes.



Holding Company Yakutugol, Open Joint Stock Company (based in Neryungri, Yakutia), is focused on mining coking coal but also mines some steam coal. The company runs four mining operations (Neryungry, Elga and Kangalassky open pit mines and Dzhebariki-Haya underground mine) and operates Neryungry coal washing plant. In 2011, Yakutugol won the tender to develop Pionerskoye iron ore field located near Neryungry (Yakutia). In 2012, Yakutugol won the tender to develop Sivaglinskoe and Sutamskoe iron ore deposits located near Neryungry (Yakutia). Yakutugol is one of the few Russian hard coking coal producers. Yakutugol also produces steam coal and middlings, one of the side products in the coking coal washing process. Total production exceeded 9.9 million tonnes of coal in 2013. The total volume of mineral reserves of Yakutugol under Russian standards amounted to about 312.3 million tons. Yakutugol sells its products both domestically and internationally. Coking coal concentrate is delivered to steel mills in the CIS and the Asian Pacific Region. Domestically, steam coal is consumed by power companies, cement producers and public utilities in the Far East of Russia.



Elga coal deposit, one of the largest coking coal fields in the world, lies in the south-east of Yakutia, 415 km eastward from the town of Neryungry and 320 km to the north of the settlement of Verkhnezeysk, in the centre of the Toko coal area. The Elga project is one of Mechel's strategic priorities intended to help the company increase its coal exports to the fast growing markets of the Asian Pacific Region. Elga produces coking coal characterized by high volatility, low content of sulphur, nitrogen and phosphor, easy flow, high calorific value as well as oxidized coal (classified as steam coal) of high calorific value. Elga also produces steam coal and middlings.

In 2013, Elga's total production was about 200 000 tonnes of coal. As of 31 December 2013, JORC mineral reserves total some 2.19 billion tonnes.



Mechel Bluestone (based in Beckley, West Virginia, USA) was established on the basis of the assets owned by Bluestone, a coal company that joined Mechel in May 2009. Mechel Bluestone operates three mining complexes (Keystone, Justice Energy and Dynamic Energy). Mechel Bluestone produces low-, mid- and high-volatile hard coking coal of high quality. Total production in 2013 was 2.4 million tonnes of coal with coking coal accounting for over 75% of this figure. As of 31 December 2013, JORC mineral reserves total some 151 million tonnes. Mechel Bluestone boasts a diversified client base represented by the world's leading coke and steel producers.



Korshunov Mining Plant (based in Zheleznogorsk-Ilimsk, Irkutsk region) is one of the largest iron ore mining and washing facilities in Russia and the only active one in Eastern Siberia. Mining operations are represented by two open pits: Korshunov and Rudnogorsk and Korshunov Washing Plant. As of 31 December 2013, JORC mineral reserves total some 102 million tonnes.



Moscow Coke and Gas Plant (based in Vidnoye, Moscow Region) is well-positioned geographically and has stable sales markets. The plant produces coke, benzol and coal oil. The company's coke and chemical products are successfully sold domestically, primarily to facilities based in central Russia, and are also exported. Total annual capacity of the four coke-oven batteries is currently 1.3 million tonnes of 6% humidity bulk coke.



Chelyabinsk Coke and Chemical Products Plant, Limited Liability Company (Mechel Coke, based in Chelyabinsk), is coke and by-products producer. The main product produced is metallurgical coke, the capacity of eight coke-oven batteries is about 3.7 million ton per year. Mechel Coke meets the demand coming from Mechel's facilities and also markets its products domestically and internationally. The coke produced by Mechel Coke is of exceptionally high quality: it is uniform in terms of humidity and strength, low ash, low sulphur and low volatile. The by-product – coke gas – is used for manufacture of 19 kinds of chemicals: benzol, toluene, solvent, naphthalene, ammonia sulphate, tar etc. All those are used for production of plastics, synthetic fibres, pharmaceuticals, perfumes and organic synthesis products both within and outside Russia.



Chelyabinsk Metallurgical Plant, Open Joint Stock Company (based in Chelyabinsk), is Russia's largest enterprise of a full metallurgical cycle producing quality and high-quality steel. The plant produces a wide range of steel products: pig iron, steel semi-products for further processing, long and flat products made from carbon, structural, tool and corrosion-resistant steel. The plant is ISO 9001:2000 compliant and is one of the few Russian facilities entitled to mark steel grades with its own index – “ChS” (standing for “Chelyabinsk Steel”). Over 130 of such steel grades are currently in production. A Universal Structural Mill (USM) was commissioned in July 2013, which is the first complex and universal production of high quality long products and 12.5 to 100 m long rails ever existing in Russia. The new rails will be superior to similar foreign products in terms of such key parameters that matter for climatic and other conditions of using rails in Russia as low-temperature operation reliability, increased wear resistance and back-to-back endurance. The capacity of the USM is up to 1.1 million ton per year.



Izhstal, Open Joint Stock Company (based in Izhevsk, Udmurtia Republic), is the largest steel mill in Udmurtia and one of the flagships of regional economy. It is a leading producer of specialty steel and stainless long products. The plant is equipped with a manufacturing complex allowing to produce a wide range of steel types, including structural carbon steel, structural alloyed steel, roller-bearing steel, spring steel, stainless steel and free machining steel. The facility meets the ISO 9001:2008 quality management standard and holds a TUV certification confirming compliance of its hot-rolled products with the AD WO/TRD 100 standard. Traditional customers represent defence, high-tech machine building, automotive, aircraft, oil, mining, and tool making industries. Izhstal ships its products to the USA, EU and CIS.



Beloretsk Metallurgical Plant, Open Joint Stock Company (based in Beloretsk, Republic of Bashkortostan), is one of the leading producers of metal ware in Russia. The assortment includes rod and steel wire made of steel grades of high quality (carbon steel, alloyed steel and stainless steel), steel ropes of various structures zinc-coated and uncoated, straps of various diameters and sections, nails. BMP is the only Russian manufacturer of 0.009 mm fly wire. BMP products are of high demand almost by any branch of industry – construction, defense, engineering, fuel&energy.

BMP has been ISO 9001:2000 compliant since 2003 and ISO 9001:2008 compliant since November 2010. For marketing purposes, additional certifications from competent Russian and international supervising authorities have been obtained for certain products.



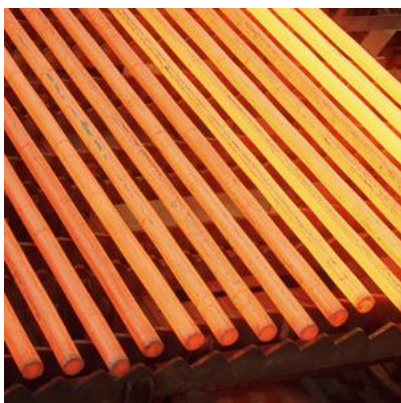
Urals Stamping Plant, Open Joint Stock Company (based in Chebarkul, Chelyabinsk Region), is Russia's largest producer of forgings made from specialty steel and alloys. This asset is a unique forging and stamping production based on heavy and super-heavy equipment with the weight of its falling parts from 2 to 25 ton and the world's most powerful 1,500 kJ counterblow stamping hammer which can produce stampings up to 2.5 tonnes in weight and up to 4 meters long. The forgings manufactured by Urals Stampings Plant are consumed almost by all engineering industries (rocket building, space engineering), aircraft engineering, heavy engineering, transport engineering, power and oil and gas engineering; production of carrying and lifting machines, chemical, food, mining and many other industries. The facility holds a TUV certification confirming its compliance with ISO 9001. The quality of the plant's products is annually confirmed by the Association of American Railroads (AAR) and Aviation Register of IAC.



Mechel Nemunas, Closed Joint Stock Company (based in Kaunas, Lithuania), is a steel ware producer. The range of its products includes wire, steel fiber used to reinforce cement mixtures and concrete, nails, including those used for euro pallets and mesh. The main consumers of its products are engineering, construction enterprises and furniture manufacturers. Key production machinery is represented by drawing mills, nail making machines, thread machines and mesh machines. The plant's products are very popular not only in the Baltics but also in Germany, France, Italy, Holland, Sweden, Poland, Switzerland, Check Republic, Great Britain, USA and other countries.



Vyartsilya Metal Products Plant, Closed Joint Stock compay (based in Vyartsilya, Republic of Karelia), produces hardware, including low-carbon, electrode and structural wire, galvanized nails and polymer-coated steel mesh from wire rod supplied by Chelyabinsk Metallurgical Plant. The plant is currently the only producer of hot dip galvanized nails in the country.



Donetsk Electrometallurgical Plant (based in Donetsk, Ukraine) is one of the most advanced steel mills in the Ukraine with annual liquid steel capacity of over 1 million tonnes designed as a non-integrated mini-mill. The plant has been part of Mechel since 2011. The plant uses an environmentally-friendly technology for steel melting, treating and pouring. The plant's core equipment includes an electric arc steel melting furnace based on the cutting-edge gas cleaning technology, a vacuum degasser, a ladle furnace, a continuous caster manufactured by Danieli, of Italy, a 950/900 rolling mill, levellers and peelers, heat treatments machinery for manufacture of heat-treated rolled products. The plant manufactures continuous square billet for rerolling and continuous tubular billet as well as hot-rolled round bars from carbon, structural and alloyed steel, including such kinds of heat treatment as quenching and tempering, annealing, normalizing. Surface finishing is available for rolled steel. The plant is ISO 9001:2008 and ISO 14001-2004 compliant (certified by the Lloyd's Register Quality Assurance and TUV NORD CERT respectively).



Southern Urals Nickel Plant, Open Joint Stock Company (based in Orsk, Orenburg Region), is a non-ferrous metallurgy facility. The plant comprises two nickel ore mines (Sakharinsk and Buruktalsk mines) to secure its resource base. The production was suspended in December 2012 due to bad market conditions.



Bratsk Ferroalloy Plant, Limited Liability Company (based in Bratsk, Irkutsk Region), is a modern and high-performance high-grade ferrosilicon producer (65% and 75% of Si content). The plant is being gradually transferred to steel melting from the quartzite mined at its own Uvatsk deposit. The first batch of raw materials was shipped from the deposit in March 2013. The plant complies with international quality standards. The plant is well-positioned geographically and has stable sales markets. Products are consumed within Mechel Group, domestically and internationally.



Southern Kuzbass Power Plant, Open Joint Stock Company (based in Kaltan, Kemerovo Region), is a heat power plant intended to meet the base-load demand from the Kuzbass energy system. The plant has 554MW of installed electricity generation capacity. Southern Kuzbass Power Plant provides hot water and central heating supplies to the towns of Kaltan and Osinniki in Kemerovo Region. The plant's installed heat power capacity is 581 Gcal per hour. Coal is supplied by Southern Kuzbass Coal Company.



Kuzbass Power Sales Company, Open Joint Stock Company (based in Kemerovo), is one of the largest power distributors in Kemerovo Region operating as a guaranteeing supplier. 90% of the regional consumers, including industrial enterprises, state financed institutions, facilities of public utilities and of social area, small business enterprises, agricultural enterprises and the population of towns and rural settlements of the region are clients of Kuzbass Power Sales Company, Open Joint Stock Company.



Trade Port Posiet, Open Joint Stock company (based in Posiet, Primorye Region), is a sea trading port engaged in coal shipments to the Asian Pacific Region. The port has direct railway links with the Trans Siberian Railway Mainline, north-eastern China and North Korea. Posiet is a very convenient terminal for shipping coal mined by Mechel's subsidiaries – Yakutugol and Southern Kuzbass. The port will become even more important after we start exporting coal from Elga. The port's annual transshipment capacity is currently 7 million tonnes with a potential to reach 9 million tonnes after upgrading. The port is expected to be able to handle 40,000 DWT vessels (stage 1) and 60,000 DWT vessels (stage 2).



Mechel Temryuk Port, Open Joint Stock Company (based in Temryuk, Krasnodar Region, Taman coast of the Azov Sea), is a modern and technically equipped sea port open for foreign vessels. It is well-positioned geographically and may be operated all the year round due to good climatic conditions of the region. Mechel Temryuk Port is engaged in coal shipments to the countries of the Black and Mediterranean Seas using both a direct option with river-sea vessels and transshipment to larger vessels bulkers in the Kerch Strait. The port features two active 248 m long berths servicing export/import cargoes and a berth servicing domestic shipments. The transshipment complex occupies 850 metres of the coastline and some 36 ha of total area. The port has its own access railroad. The port's current annual transshipment capacity is 1.5 million tonnes of cargoes. The main types of cargo are coal and coke as well as rolled steel. Mechel Temryuk Port is used by the Group for exporting steam coal from Kuzbass.



Kambarka Port, Open Joint Stock company (the Kama River, Udmurtia), is one of the deepest river ports in Russia specializing in transshipment of steel products, coal, sand, chip stone and quarry stone. Mechel uses this port to transport cargo by domestic waters to the Baltic and Caspian Seas and to the Black and Mediterranean Seas. The port's transshipment capacity is some 1 million ton of cargoes per shipping season. The port is used for shipments to Turkey, Romania, Bulgaria and further to Europe.

Information about each type of power resources used by Company's Shareholders in the reporting year (atomic power, heat power, electric power, electromagnetic power, oil, petrol, diesel, black oil, natural gas, coal, oil-shale, black dirt and other) in terms of volume and money: The Company doesn't consume power resources".

2. THE COMPANY POSITION IN THE INDUSTRY

The main area of the Company activities is provision of consultancy services to the business entities in whose authorized capitals the Company participates either directly or through some third parties. And current situation in the main industrial activities of such business entities (mining and steel industries) has a direct impact on the Company activities and performance.

Russian GDP was growing during 2007-2012 at an average rate of 2.9% within the dynamic economic growth up to 2008, significant GDP reduction in 2009 and gradual improvement of economic indicators during the subsequent years. In 2010 - 2011 Russian GDP increased by 4.3% and in 2012 it grew by 3.4% vs. the previous year figures. In 2013 Russian GDP increased by 1.3% compared to 2012.

The average rate of industrial production growth in 2007-2012 is 2.1%. This trend corresponds to the general economic tendencies that existed during this period. Starting from 2011 there was a slight decrease in industrial production up to 4.7% and in 2012 – up to 2.6% vs. the previous year figures. In 2013 industrial production grew 0.3% against 2012. The development of mining and steel industries is of cyclic character.

Up to Q4 2008 there was a steady growth of demand for steel in steel and melting industry. But due to the world economic crisis steel consumption significantly decreased by end of 2008. But nevertheless, demand for steel started increasing as soon as at the beginning of 2009 and the growth continued up to the end of 2012. In 2013 steel consumption in Russia increased by 2% compared to 2012.

Steel production in Russia grew by 0.4% per year at an average during the last 5 years and the consumption of ready steel products – by 3.8% per year. In spite of bad economic tendencies that existed in recent years steel industry in Russia maintains a high level of competitiveness due to the relatively low cost of production, successful effective management of production and sales, improve technology. During the period under analysis Mechel was one of the leading companies of the Russian steel industry, and its development was organically in accordance with the development of steel industry. The Company share in Russian steel production remained steady within the period of 2008-2012 at the point of about 8% (as it is stated by information agency Metal Courier). In 2013 the Company's share in the Russian steel production declined, reaching 6.8%.

After the purchase of Yakutugol HC OJSC the Company share in Russian coking coal production achieved the point of 21-22% within the period of 2007-2008. The demand for the coking coal produced by the company shrank drastically in 2009 both in the internal and external markets due to the economic crisis and therefore the Company share in Russian coking coal reduced up to 13% (as it is stated by State Company CDU TEK) but then reached its normal level again in 2010. The Company had to reduce its share in Russian coking coal up to 20.5% in 2011 due to a bad situation in the coking coal market and managed to retain its positions in 2012 at the point of about 20% against the background of the general growth in coking coal production (State Company CDU TEK). In 2013 the Company's share of coking coal still remained at 20%.

Thermal coal market is being regulated by such key factors as electric power consumption, ratio between offer and demand for coal and seasonality. Limited offer of thermal coal resulted in an increase

in price for thermal coal within 2006 – middle of 2008. And after that the demand reduced significantly and the prices decreased due to economic recession. Demand for thermal coal began to improve in the second half of 2009, which caused the price growth. The growth of thermal coal production in RF continued in 2010 – 2012. In 2013 steam coal production volumes decreased by 2.8% compared to 2012.

The trend ruling in the field of iron ore, nickel and other mining products production and sales is the same as the one ruling in steel industry.

The demand was high in the iron ore market of Asian countries during 2006-2008 but transport limitations existed in the biggest supplying countries. Prices for iron ore decreased by 28% due to the world economic crisis but as soon as in the second half of 2009 they started growing again due to a steady demand existing in Asian countries and the tendency remained the same in 2010. In 2011 the average annual price for iron ore concentrate in the local market exceeded the level of 2008 by more than 1.5 times and in the world market – by 12% due to steel producers' increasing demand. The average price for iron ore concentrate decreased both in the world market (-24%) and the internal market (about -20%) in 2012 due to a bad macro economic situation in China and due to bad situation in the market of metal ware and to consumers' speculative policy. In 2013 the average annual growth of prices for iron ore concentrate in the world market was 4%, the domestic - 4.8%. The situation in the market will depend on the balance of offer and demand by the industry and the balance depends on demand fluctuation tendency and also on the implementation of strategic plans of capacity improvement by leading producers.

Mio 11.1 ton of coking coal concentrate, Mio 5.5 ton of coal for steel industry (anthracite and PCI coal), Mio 5.9 ton of thermal coal, Mio 4.24 ton of iron ore concentrate and Mio 3.0 ton of coke were sold by all Mechel Mining Division enterprises in 2013.

The total production volume of all Mechel Steel Division enterprises for 2013 is Mio 3.7 ton of cast iron, Mio 4.7 ton of steel. Mio 4.8 ton of rolled products, K 852 ton of metal ware products and K 247 ton of pipes were sold.

K 94 ton of ferrosilicium, were sold by Mechel enterprises of Steel Division in 2013.

K 3 972 285 kWh of electric power and 6 694 467 Gcal of heat power were produced by Mechel enterprises of Power Division in 2012.

The results of the Company activities fully correspond to the modern tendencies of mining and steel segments development.

3. PRIORITY BUSINESSES

The Company's priority businesses are:

- rendering information and advisory services;
- capital investments in securities;
- advising on marketing management, market researching;
- advising on financial management, designing accounting systems, production cost accounting programmes, budget performance control and management control procedures;
- advising on HR management;
- advising on planning, management, efficiency enforcement and control;
- advising on business and tax accounting, commercial operations and plant management;
- granting trademark rights under license agreements.

4. DIRECTORS' REPORT ON THE COMPANY'S PERFORMANCE IN THE PRIORITY AREAS OF ITS BUSINESS

In the reporting period, over 70 meetings of the Mechel Board that is in charge of overall leadership of the Company were held in total to discuss and act upon matters reserved for its decision.

The following major issues have been addressed by the Board in the reporting period:

- defining priority areas of the Company's operations in 2013;
- evaluating the 2012 investment programme performance and discussing the relevant targets for 2013;
- reviewing the Company's benchmarks for 2013;

- reviewing preliminary results of the Company's financial and operational performance in 2012 and the Company's 2013 Production and Financial Plan for the key lines of the Company's business;
- addressing aspects of strategy in the power segment and measures to develop the transport segment;
- approving a number of investment projects;
- electing the Board Committees;
- approving the work plans of the Audit Committee, Investment and Strategic Planning Committee, and Nomination and Compensation Committee;
- calling of the annual and extraordinary general meetings of the Company's shareholders;
- making recommendations to the general meeting of shareholders with respect to distribution of profits;
- fixing the external auditor's fee;
- approving related party transactions;
- closing the Company's representative offices, change information about the Company's representative offices;
- terminating the Company's shareholdings in other organizations;
- shaping the Board agenda and work plan for 2013-2014;
- addressing other matters reserved for the decision by the Board.

Decision-making by the Board is supported by its permanent Committees.

The Committees are in charge of preliminary review and expertise of technical, production, and economic aspects of the Company's development to be further discussed at the Board level.

5. PROSPECTS FOR THE COMPANY FURTHER DEVELOPMENT

The Company strategy is based on its status of an integrated mining and steel producing enterprises. Such status enables to lean on the economy on scale, use the opportunities of synergy, better meet the internal and external demand, and compete with other coal manufacturers, steel and iron ore producers more effectively.

A new strategic program was approved for Mechel by the Board of Directors in May 2012. The purpose of the Company is to use the most of the undeniable advantages Mechel has in its certain areas of production within its vertically integrated business model. The following areas of activities were defined as strategically important for the Company:

- Sustaining the Company leadership in the production of metcoal;
- Further strengthening of the Company positions in the market of long products;
- Increasing Mechel share in the markets of the most profit-generating metalware;
- Increasing the revenue due to re-equipment, costs reduction and optimization of product range;
- Synergy based on joint activities within the integrated mining and steel producing Group.

In view of the above defined targets the key elements of the Company strategy include:

(a) Sustaining the Company status of a leading mining and steel producing Group.

The Company is planning to:

- *Extend the currently existing base of mineral resources*

The Company is intending to further on enrich its rich experience in mining by means of the development of the currently existing coal and iron ore resources in order to increase the volumes of coking coal of high quality and of iron ore concentrate sold to third parties in the internal and external markets. The Company is planning to increase the production volume of ready coal products from Mio

22.7 ton in 2013 up to Mio 29.3 ton in 2016 and keep the production of iron ore concentrate at the level of about Mio 4.5 ton per year.

The Company is intending to further on develop the reserves of coking coal and steam coal for HC OJSC Yakutugol and Southern Kuzbass OAO. Exploration and development of the Elga coal complex is a priority project of Mechel Group in mining and in the future will strengthen the position of "Mechel" as a leading global producer of coking coal.

- Increase the production volume of steel products with high added value and keep on optimizing the products assortment in order to increase the revenues of Steel Division

Mechel is planning to continue following its strategy of preferential investing into technologies and re-equipment, including a more massive usage of continuous casting machines at our steel enterprises, optimization of the products assortment and reduction of production costs for the purpose of revenue growth.

The program of re-equipment and renovation that is in place is aimed at maintaining the existing capacities, improvement of effectiveness and reduction of a negative impact on the environment. Ф тгъиук щд A number of production facilities of Chelyabinsk Metallurgical Plant OAO, Uzhstal OAO and Uralkuz OAO was re-equipped and upgraded in accordance with this strategy in 2010-2012. To continue this strategy, in 2013 the Company commissioned the universal rolling mill at Chelyabinsk Metallurgical Plant, which will allow us to expand the range of manufactured high-margin products, such as beams and rails, as well as improve our competitive advantages as a supplier of a full line of products in the construction industry and major supplier for Joint Stock Company "Russian Railways".

- Focus upon capturing the full benefit from currently existing assets

The Company shifted the focus of its strategy from business extension due to acquisitions to making the most of currently existing assets, including those purchased recently. The Company intention is to focus upon the improvement of effectiveness and re-equipment of the currently existing production lines, which will, in its turn, make it possible to increase the Company revenues. The strategy also includes sales of some certain assets to minimize the opportunity cost of capital and to reduce the debt load borne by the Company.

(b) Preserving the large scale integration.

The Company intends to:

- Retain its flexibility when it comes to meeting the internal needs of the Company in accordance with the circumstances

While extending and developing its internal sources of raw materials the Company keeps on sticking to a long-term approach by buying input materials from third parties and selling products, including raw materials, in the local and foreign markets in order to create the most advantageous opportunities for the Group to generate its revenues.

- Extend its logistics opportunities

Mechel is planning to keep on extending its logistics possibilities. Port Posiet is under the process of re-equipment. For example, recently in the Port Posiet was increased cargo handling capacity by building modern transshipment complex. The Company created its own fleet of rail cars following the principle of meeting a balance of transportation safety and costs effectiveness.

- Use the advantages of the synergy effect in the profile areas of the Company activities

In addition to the synergy effect we are enjoying thanks to the status of an Integrated Group, the Company believes that further cost reduction and other possibilities may show up due to the economy resulting from the production growth and implementation of enhancements into the work practices and into operation methods. Mechel performs a regular assessment of how its subsidiaries cover their demand of raw materials and distribute the products within the Group in order to work more effectively and therefore the Company is expected to keep on figuring out and using all possible opportunities to strengthen the synergy in the key areas of the Company activities.

(c) Further extension of the Company representation in the markets of high rates of growth.

The Company intends to:

- *Increase the sales of metcoal in the world markets demonstrating high rates of growth*

The Company intends to keep on using its advantageous opportunities of servicing the markets of the Asian and Pacific region (APR) and international markets due to the effective usage of production growth and advantageous geographical location of the Company coal producing and logistics assets. Mechel considers Japan, China, South Korea and India as target countries for the implementation of its export sales growth strategy. The following companies were established in 2011 to implement this strategy: Mechel Somani Carbon Private Limited, a joint enterprise in India functioning in collaboration with Somani Group, an Indian group the scope of activities of which includes coal trading. This joint enterprise acting as a distributor of coal in the Indian market. Besides, one more company was established in January 2012 - Mechel Carbon Singapore that engaged in marketing and sales of coal products in APR markets.

- *Develop distribution opportunities in the local market*

The Company is still considering the Russian local market as a key element of the strategy. The Company is enjoying its advantageous geographical location making deliveries from Chelyabinsk Metallurgical Plant (located in the South of the Urals) and Beloretsk Metallurgical Plant (located in Bashkortostan) to construction and infrastructure enterprises more convenient. In 2014 we are planning to improve the quality of our services provided to our customers, which will help us to keep our sales steady in spite of the economic recession we are currently having.

6. DIVIDENDS PAID (ANNOUNCED) ON THE COMPANY'S SHARES

The 2012 income distribution resolution adopted by the Annual General Meeting of the Company's shareholders (as recorded in Minutes No. 1 dated 28 June 2013) states as follows:

- Do not pay dividends on the Company's ordinary shares for 2012;
- To pay dividends on the Company's preferred shares for 2012 in the amount of 5 kopecks per share. Dividends shall be paid in cash by way of bank transfer within 60 days of the dividend payment resolution.

The amount totalling 6 937 845 Russian Rubles 75 kopecks of the Company's net income was allocated for payment of dividends for 2012.

The dividends have been paid within 60 days of the dividend payment resolution.

7. MAJOR RISK FACTORS ASSOCIATED WITH THE COMPANY'S BUSINESS

National and Regional Risks

The Company operates in Russia and several other countries and is exposed to all risks associated with the political and economic situation in those countries.

Financial Risks

The Company is actively engaged in expanding its business operations using both its own and borrowed funds. The Company is exposed to risks of changes in interest, forex and inflation rates. To mitigate said risks, the Company uses its internal tools and financial risk management reserves that would guarantee performance by the Company of its obligations as well as considers options for making financial hedging transactions.

Forex Risks

Most of the Company's revenues are dividends from subsidiaries and trademark royalties received in Russian Rubles. The Company's incurs costs in Russian Rubles but some of the Company's loans are in US dollars, and the relevant loan servicing liabilities are also in US dollars. The Company's balanced structure of foreign currency liabilities minimizes the effect of forex risks on the Company's financial and operating performance.

Interest Rate Change Risks

As a big borrower, the Company is exposed to risks of interest rate changes. The key source of borrowings is loans and the Russian credit market. The bulk of the Company's credit portfolio is represented by loans nominated in Russian Rubles. Interest rates for most of them are fixed. Higher market interest rates could make servicing of the Company's loans more expensive. More expensive loans may adversely affect the Company's paying capacity and liquidity.

The Company follows a well-balanced policy in using both own and borrowed funds and boasts current ratings from Moody's (B2). Higher credibility of Russia on the whole and the Company in particular is vital for reducing the cost of borrowings for the Company in the future and can cut the related risk hedging costs.

Inflation Risks

The Company's financial position is to some extent affected by the consumer price index dynamics. However, the current and projected rates of inflation are far from the thresholds that could be critical for the industry and the Company.

According to the Company, inflation would be critical if it were twice as high as the rate projected by the Russian Ministry of Economic Development for this year. The Company does not take any special efforts to mitigate said risk due to its insignificance.

Legal Risks

Domestic legal risks for the Company have to do with:

- foreign exchange law changes. Changes of the foreign exchange regulations have no direct effect on the Company's business. However, should the current law change, the Company would have to plan its business with those changes taken into account. Therefore, the Company believes that changes in the foreign exchange law are unlikely to significantly impact the Company's business;
- tax law changes. Changes of the Russian tax system may negatively affect the Company's business, namely:
 - amendments made to tax law increasing tax rates;
 - introduction of taxation of profits of controlled foreign companies
 - introduction of new taxes.

Given the possible changes of the current tax law, the Company's tax expenses and compulsory payments may increase. Potential rise of the rates of taxes paid by the Company in the course of its business may result in greater expenses for the Company and cash to finance the Company's current operations. Should any changes are made to the current tax system, the Company is going to plan its financial and economic business with those changes taken into account;

- customs regulations and duties have no significant impact on the Company's business;
- granting licenses for the issuer's principal business or using items of limited circulation, which are absent, as management and consultancy businesses are not subject to licensing in the Russian Federation and the Company does not use items of limited circulation in its business;

- changes to court practice in issues of the Company's business (including issues of licensing) that could negatively affect its business and rulings under current proceedings with the Company's participation have no significant impact.

Company's Business-Related Risks

Risks in respect of the Company's potential liability for third parties' (including subsidiaries') debts do not significantly impact the Company. The Company has issued guarantees to secure third parties' liabilities. Performance of such obligations is controlled by the Company while the risks arising from failure to meet such obligations is minimal.

Pursuant to Article 105 of the Russian Civil Code and Articles 3 and 6 of the Joint Stock Companies Law of Russia, the Company and its subsidiaries may be jointly and severally liable under the transactions the subsidiaries enter into following the Company's directives. In case of insolvency (bankruptcy) of a subsidiary due to the fault of the Company, the latter is jointly and severally liable for the subsidiary's debts.

Risks in respect of potential loss of consumers which consumption of the Company's services makes not less than 10% of the Company's total revenues do not significantly impact on the Company.

Risks Resulting from Legal Proceedings the Company is Currently Involved in:

Ongoing trials, in which the Company participates, will have a material impact on the current activities, regardless of their outcome.

8. LIST OF THE COMPANY DEALS MADE IN THE REPORTING YEAR WHICH RECOGNIZED IN ACCORDANCE WITH FEDERAL LAW "ON JOINT STOCK COMPANIES" MAJOR TRANSACTIONS AND INTERESTED PARTY TRANSACTIONS

8.1. List of transactions entered into by the company in the reporting year that are major transactions in the meaning of the joint stock companies federal law as well as other transactions that are subject to approval as major transactions as required by the company's charter; list of transactions entered into by the company in the reporting year that are related-party transactions in the meaning of the joint stock companies federal law

Major transactions in the reporting period were not made.

8.2. The list of transactions settled by the Company in the reporting year recognized in accordance with the Federal Law On Joint Stock Companies as interested-party transactions and that are required to be approved by the authorized body of the Company pursuant to chapter XI of the Federal Law On Joint Stock Companies specified in Annex 1 to this report.

9. BOARD OF DIRECTORS, INCLUDING INFORMATION ON ANY MEMBERSHIP CHANGES OCCURRING IN THE REPORTING YEAR, AND DIRECTORS' DETAILS, INCLUDING BRIEF BIOGRAPHICAL PROFILES AND INTERESTS HELD IN THE COMPANY IN THE REPORTING YEAR


The Company's Board of Directors is in charge of overall leadership of the Company, except for matters reserved for the decision by the Company's shareholders as required by the Joint Stock Companies Law of Russia and the Company's Charter.


The Company's Board of Directors consists of Nine (9) members with a majority of independent directors.


The Company's Board of Directors is subject to election by the General Meeting of the Company's shareholders by way of cumulative voting, thus guaranteeing protection of minority shareholders' rights.

The current Board of Directors of Mechel OAO was elected on 28.06.2013 at the Company's Annual General Meeting.


The Company's Board of Directors as of 31.12.2013

	<p>Igor V. Zyuzin Chairman</p>
<p>Year of birth</p>	<p>1960</p>
<p>Education</p>	<p>Higher education. Tula Polytechnic Institute (area of specialty – underground mining technology and integrated mechanization of underground mining operations). PhD in engineering (coal mining).</p>
<p>Positions held in the Company and other organizations for the recent 5 years, including part-time employments</p>	<p>Period: 2003-to date Organization: Mechel OAO Position: Director, Chairman</p> <p>Period: 2006-2010 Organization: Mechel OAO Position: CEO</p> <p>Period: 2007-2010 Organization: Mechel OAO Position: Chairman of the Management Board</p> <p>Period: 1999-to date Organization: Southern Kuzbass OAO Position: Chairman</p> <p>Period: 2001-to date Organization: CMP OAO Position: Director</p> <p>Period: 2007-to date Organization: Yakutugol OAO Position: Director, Chairman</p> <p>Period: 2011-to date Organization: Mechel Mining OAO Position: CEO, Chairman of the Management Board</p> <p>Period: 2008-2011 Organization: Mechel Mining OAO Position: Chairman</p>
<p>Interest held in the Company's share capital</p>	<p>0.0369%</p>
<p>Percentage of ordinary shares held</p>	<p>0.0493%</p>
<p>Transactions made in the reporting year to sell or acquire the Company's shares</p>	<p>None</p>


	Yevgeny V. Mikhel Director
Year of birth	1974
Education	Higher education. Urals State Law Academy (area of specialty – legal science)
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2010-31.12.2013 Organization: Mechel OAO Position: CEO, Chairman of the Management Board</p> <p>Period: 2011-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2011- to date Organization: Mechel Trans OOO Position: Director</p> <p>Period: 2009-2010 Organization: Mechel OAO Position: First Deputy CEO</p> <p>Period: 2007-2009 Organization: Mechel OAO Position: Vice President Legal Affairs</p> <p>Period: 2003-to date Organization: CMP OAO Position: Director</p> <p>Period: 2007-2010 Organization: MosCoke OAO Position: Director</p>
Interest held in the Company's share capital	0.0001%
Percentage of ordinary shares held	0.0002%
Transactions made in the reporting year to sell or acquire the Company's shares	None


	Roger Ian Gale Independent Director
---	--

Year of birth	1952
Education	Higher education. Royal Agricultural College. Masters degree in economics from the University of New England
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2004-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2009-to date Organization: Sedia Biosciences Corporation Position: Chairman and CEO</p> <p>Period: 2006-2008 Organization: Calypte Biomedical Corporation Position: Chairman and CEO</p> <p>Period: second half of 2013-to date Organization: Air Castles Green Position: Independent Director</p>
Interest held in the Company's share capital	None
Percentage of the Company's ordinary shares held	None
Transactions made in the reporting year to sell or acquire the Company's shares	None


	Arthur David Johnson Independent Director
Year of birth	1937
Education	Higher education. West Notts College
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2004-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2007-to date Organization: Neuerth Coal Holdings Position: Advisor to the Board of Directors</p> <p>Period: 2007-to date Organization: Joy Mining Machinery UK Ltd. Position: Advisor to the Board of Directors</p>
Interest held in the Company's share capital	None


Percentage of the Company's ordinary shares held	None
Transactions made in the reporting year to sell or acquire the Company's shares	None


	Igor S. Kozhukhovskiy Independent Director
Year of birth	1956
Education	Higher education. Siberian Metallurgical Institute. State University – High School of Economics. PhD in economics
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2008-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2005-2013 Organization: APBE ZAO Position: Director, CEO</p> <p>Period: 2005-to date Organization: Management ZAO APBE ZAO Position: CEO</p> <p>Period: 2000-2008 Organization: RAO UES of Russia Position: Head of Economic Policy Department</p>
Interest held in the Company's share capital	None
Percentage of the Company's ordinary shares held	None
Transactions made in the reporting year to sell or acquire the Company's shares	None

	Vladimir V. Gusev Independent Director
Year of birth	1945
Education	Higher education. St. Petersburg State University. PhD in economics.

Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2009-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2008-2009 Organization: Olympstroy State Corporation Position: Vice President Finance</p> <p>Period: 2005-2008 Organization: Federal Tax Agency of Russia Position: Deputy Head</p>
Interest held in the Company's share capital	None
Percentage of the Company's ordinary shares held	None
Transactions made in the reporting year to sell or acquire the Company's shares	None

	Victor A. Trigubko Director
Year of birth	1956
Education	Higher education. Kalinin (now Tver) State University, area of specialty - labor economics.
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2012-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2006- to date Organization: Mechel OAO Position: Senior Vice President for Government Relations</p>
Interest held in the Company's share capital	0.00036%
Percentage of the Company's ordinary shares held	0.00048 %
Transactions made in the reporting year to sell or acquire the Company's shares	None

	<p>Yuriy N. Malyshev Independent Director</p>
<p>Year of birth</p>	<p>1939</p>
<p>Education</p>	<p>Higher education. Kemerovo Mining Institute.</p>
<p>Positions held in the Company and other organizations for the recent 5 years, including part-time employments</p>	<p>Period: 2013-to date Organization: Mechel OAO Position: Independent Director</p> <p>Period: 2011- to date Organization: State Geological Museum of V.I. Vernadsky Position: Director</p> <p>Period: 1999-2013 Organization: Non-profit Partnership Russian Mining Operators Position: President</p> <p>Period: to date Organization: Soyuzspetsstroy ZAO Position: Chairman of the Board of Directors</p>
<p>Interest held in the Company's share capital</p>	<p>None</p>
<p>Percentage of the Company's ordinary shares held</p>	<p>None</p>
<p>Transactions made in the reporting year to sell or acquire the Company's shares</p>	<p>None</p>

	<p>Alexey G. Ivanushkin Director</p>
<p>Year of birth</p>	<p>1962</p>
<p>Education</p>	<p>Higher education. Moscow State University of International Relations (MGIMO), a degree in economics and international relations</p>

Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2013-to date Organization: Mechel OAO Position: Director</p> <p>Period: 2009- to date Organization: Oriel Resources Ltd. Position: Chief Executive Officer of Oriel Resources Ltd. since April 2009 and Head of Oriel Resources Ltd. Moscow representative office since February 2009</p> <p>Period: 2009- to date Organization: Southern Urals Nickel Plant Position: Director, Chairman of the Board of Directors (since May 2010)</p> <p>Period: 2003- 2009 Organization: Mechel OAO Position: Director</p> <p>Period: 2004- 2009 Organization: OAO «Мечел» Position: Chief Operating Officer</p> <p>Period: 2003- 2004 Organization: OAO «Мечел» Position: Chief Executive Officer</p> <p>Period: 2002- 2009 Organization: OAO «ЧМК» Position: Chairman of the Board of Directors</p>
Interest held in the Company's share capital	None
Percentage of the Company's ordinary shares held	None
Transactions made in the reporting year to sell or acquire the Company's shares	None

Board of Directors of Mechel OAO as elected on 29.06.2012 and operating through 28.06.2013:

- Vladimir V. Gusev – independent director;
- Valentin V. Proskurnya – director;
- Igor V. Zyuzin – Chairman;
- Alexander E. Yevtushenko – independent director;
- Victor A. Trigubko –director;
- Igor S. Kozhukhovskiy – independent director;
- Arthur David Johnson – independent director;
- Roger Ian Gale – independent director;
- Yevgeny V. Mikhel – director.

10. SOLE EXECUTIVE BODY AND COLLECTIVE EXECUTIVE BODY

Sole Executive Body

The Company's Chief Executive Officer is a permanent Sole Executive Management Body responsible primarily for day-to-day operations to ensure the Company's profitability as well as protect the Company's shareholders' rights and lawful interests. The Chief Executive officer acts within the scope of its authority and reports to the Company's Board of Directors and shareholders.

Since 1 July 2013, the Company's Chief Executive Officer is Mr. Yevgeny V. Mikhel who was appointed to this role by the resolution of the Company's Board of Directors. As of 31.12.2012, Mechel OAO's CEO was also Mr. Mikhel who assumed this position with effect from 1 July 2012 pursuant to the resolution of the Company's Board of Directors.

Mr. Mikhel's biographical details are given in Chapter 9 hereof.

Collective Executive Body

The Company's Management Board is in charge of day-to-day management of the Company's operations defining ways of executing the Company's strategy, supervising compliance with applicable investment procedures, generating proposals for incentives for the Company's staff and addressing (on a preliminary basis) matters reserved for the decision by the Company's Board of Directors.

Management Board as of 31.12.2013

Name	Year of birth	Position
Yevgeny V. Mikhel.....	1974	CEO, Chairman of the Management Board
Stanislav A. Ploschenko	1976	CFO, member of the Management Board
Andrei D. Deineko.....	1953	CEO of Mechel Steel Management OOO (until July 2013), member of the Management Board
Boris G. Nikishichev.....	1946	CEO of Mechel Mining Management OOO (until July 2013), member of the Management Board
Irina N. Ipeyeva	1963	CLO, member of the Management Board
Elena V. Selivanova.....	1962	VP HR and Social Policy, member of the Management Board
Oleg V. Korzhov.....	1970	Senior VP Economics and Business Development, member of the Management Board
Gennady A. Ovchinnikov	1951	CEO of Private Joint Stock Company 'Donetsk Electrometallurgical Plant' (until September 2013), member of the Management Board
Alexander S. Starodubov	1946	Chairman of Mecheltrans OOO, member of the Management Board
Sergei N. Shuvalov	1974	Treasury Operations Director, member of the Management Board
Mikhail L. Urvantsev	1969	VP Commercial Operations (until July 2013), member of the Management Board

Mr. Mikhel's biographical details are given in Chapter 9 hereof.

Stanislav A. Ploschenko has been our Chief Financial Officer since April 2009 and has been on the Company's Management Board since September 2007. Previously, he was Acting CFO of Mechel OAO from June 2007 to January 2008. Since June 2011, Mr. Ploschenko has been serving on the Board of Directors of Mechel Mining OAO. He has also been on the Board of Directors of Chelyabinsk Metallurgical Plant OAO since 2008 and its Chairman – since August 2010 until May 2012. In 2008-2011, he served on the Board of Directors of Beloretsk Metallurgical Plant OAO. Between April and July 2007, he worked as Deputy CFO at Mechel OAO, and from June 2006 to April 2007, Mr. Ploschenko served as deputy head of the Treasury. Mr. Ploschenko holds an MSc degree in International Securities Investment & Banking from the ISMA Centre at the University of Reading, a BA degree in International Finance & Trade from the University of Portsmouth (UK) and a graduate degree in international economics from Russian Government's Finance Academy.

Andrei D. Deineko has been our VP for Technological Development since October 2012 until July 2013 and has been on the Company's Management Board since March 2009. Previously he was CEO of Mechel Steel Management OOO since December 2008 to October 2012. Prior to this, he worked as Head of Steel Segment at Mechel Steel Management OOO from January to December 2008. Between 2005 and 2007, he headed the Department of Industry of the Russian Ministry of Industry and Energy. Mr. Deineko

is an Honorary Metallurgist of Russia. Mr. Deineko holds a graduate degree (a process engineer) from the Moscow Institute of Steel and Alloys and a PhD degree in technical sciences from the same institute.

Boris G. Nikishichev has been CEO of Mechel Mining Management OOO since August 2009 until July 2013 and has been on the Company's Management Board since September 2009. Mr. Nikishichev was VP Mining Business at Mechel OAO from July 2009 to June 2010. Since July 2011, he has been on the Management Board of Mechel Mining OAO until July 2013. His cross-directorships include Southern Kuzbass OAO (since June 2006), Korshunov Mining Plant OAO (since June 2007) and Yakutugol HC OAO (since June 2010). From January 2009 to April 2010, he was CEO of Mechel Engineering OOO. Between April 2008 and June 2011, Mr. Nikishichev served on the board of directors of Mechel Mining OAO. From July 2006 to January 2009, he worked at Mechel Steel Management OOO as Mining Business Director. Mr. Nikishichev holds a graduate degree in mining (an electric engineer) from Siberian Metallurgical Institute and a PhD degree from Moscow State Mining University.

Irina N. Ipeyeva has been our Chief Legal Officer since April 2009 and has been on the Company's Management Board since September 2007. From September 2007 to April 2009, she worked as chief counsel, Deputy Head of Legal Department and Head of Corporate Governance and Property Department. Between 2003 and 2007, Ms. Ipeyeva served as chief counsel and Head of Corporate Governance and Property Department. Ms. Ipeyeva holds a degree in legal science from Kuibyshev State University.

Elena V. Selivanova has been our VP HR and Social Policy since April 2009 and has been on the Company's Management Board since September 2007. From January 2007 to April 2009, she was Head of HR Policy Department at Mechel OAO. Between April 2004 and November 2006, Ms. Selivanova served as Executive HR Director at Volgotanker Company. Ms. Selivanova is a graduate of Moscow State Institute of Culture.

Oleg V. Korzhov has been our Senior VP Economics and Business Development since February 2012 and has been on the Company's Management Board since March 2009. Between November 2011 and February 2012, he was Senior VP Business Planning and Analysis at Mechel OAO, and between April 2009 and October 2011, he worked for Mechel OAO as VP Business Planning and Analysis. Since June 2011, Mr. Korzhov has been serving on the board of directors of Mechel Mining OAO. His other directorships include Posiet Trading Port OAO, Belorestk Metallurgical Plant OAO and Mecheltrans OOO (since 2008), Southern Kuzbass Power Station OAO (since 2009) and Kuzbassenergosbyt OAO. From July 2008 to April 2009, he worked for Mechel Steel Management OOO as Deputy CEO for Economics and Finance. Mr. Korzhov holds a graduate degree in economics and management of metallurgical plants from Urals Polytechnic Institute. He also completed a general management advanced training course at the Academy of National Economy. Mr. Korzhov also holds a PhD degree in economics.

Gennady A. Ovchinnikov has been CEO of Private Joint Stock Company 'Donetsk Electrometallurgical Plant' since June 2012 until September 2013 and has been on the Company's Management Board since March 2009. Previously he was CEO of Mechel Ferroalloys Management OOO since December 2008 to June 2012. From July 2006 to September 2009, Mr. Ovchinnikov was plant manager at Southern Urals Nickel Plant OAO. He served on the board of directors at Southern Urals Nickel Plant OAO from 2005 until May 2013. Mr. Ovchinnikov holds a graduate degree in washing minerals from Magnitogorsk Mining and Smelting Institute. He also boasts a PhD degree in technical sciences.

Alexander S. Starodubov has been Chairman of Mecheltrans OOO since December 2011 and has been on the Company's Management Board since March 2009. Prior to this, he was CEO of Mecheltrans Management OOO between March 2010 and December 2011. From May 2009 to March 2010, Mr. Starodubov worked as CEO of Mecheltrans OOO. From 2007 to April 2009, he was Chairman of Mecheltrans OOO. Between April 2008 and May 2009, he worked as Managing Director of Mecheltrans OOO, and from 2002 to 2007 – as CEO of Mecheltrans OOO. Mr. Starodubov holds a graduate degree from Siberian Metallurgical Institute and is an expert in underground mining technology and comprehensive mechanization of underground mining operations.

Sergei N. Shuvalov has been our Treasury Operations Director since January 2011 and has been on the Company's Management Board since August 2010. Between May 2009 and December 2010, he was Head of Treasury at Mechel OAO, and from October 2006 to May 2009 he held a similar post at Mechel Steel Management. Mr. Shuvalov is a graduate of Moscow State Aviation Institute specializing in rocket engines and has a degree in financing and crediting from the Russian Government's Finance Academy.

Mikhail L. Urvantsev has been our VP Commercial Operations since April 2011 until July 2013 and has been on the Company's Management Board since May 2011. From November 2009 to March 2011, Mr. Urvantsev was CEO of Ukrainian Machine-Building Plant OOO. Between 2006 and 2009, he worked for Ukrainian Machine-Building Plant Trading House OOO as CEO. Mr. Urvantsev holds a graduate degree in economics and management (trade and public catering) from Moscow Commercial University.

11. DETERMINATION CRITERIA AND AMOUNT OF REMUNERATION PAID OR PAYABLE FOR THE REPORTING FISCAL YEAR TO THE PERSON ACTING AS THE COMPANY'S SOLE EXECUTIVE BODY AND EACH OF THE COMPANY'S DIRECTORS

Remuneration to the Chief Executive Officer (CEO) is paid in the amount and in the manner set out in the contract of employment entered into by the CEO and the Company.

Compensation to the Company's directors is paid pursuant to the resolution of the general meeting of the Company's shareholders and in line with the Bylaw on Remuneration Payable to Mechel OAO's Directors and Reimbursement of Related Expenses.

Remuneration, including salaries, bonuses, fees, benefits and/or reimbursement of expenses, paid to the Company's directors by the Issuer for FY2013 totals 59 078 380 (fifty-nine million seventy-eight thousand three hundred eighty) Russian Rubles.

12. INFORMATION ON THE COMPANY'S COMPLIANCE WITH THE RECOMMENDATIONS OF THE CORPORATE CODE OF CONDUCT

No.	Corporate Code of Conduct Regulation	Observed or not observed	Note
1	2	3	4
General meeting of the shareholders			
1	shareholders shall be notified of a general meeting at least 30 days prior to the meeting irrespective of the agenda, unless a longer period is established by law	Observed	<i>Paragraph 17.10. of "Mechel" OJSC charter as at present in force:</i> 15.10.2013 is the date of the last Shareholders General Meeting of "Mechel" OJSC. September 02, 2013 is the date of disclosure of convene notice of the extraordinary Shareholders General Meeting in the Company site http://www.mechel.ru/ in the information and telecommunication network Internet
2	Shareholders' availability to familiarize with the list of persons entitled to participate in the Shareholders General Meeting as of the date of the notice of the Shareholders General Meeting and until the closing of the Shareholders General Meeting in praesentia, and in the case of the Shareholders General Meeting in absentia - before the closing date for receipt of ballots	Observed	<i>The Art. 17.15. of the charter as at present in force:</i> List of persons entitled to attend the General Meeting of Shareholders shall be submitted by the Company for review at the request of the persons included in this list and have at least one (1) percent of the votes.

			<p>Notice of the meeting in accordance with the charter shall be published in the "Rossiyskaya Gazeta" newspaper and on the Internet page: http://www.mechel.ru or shall be disclosure on the Internet page: http://www.mechel.ru. – not later than 30 days before the date of the meeting.</p>
3	shareholders shall have an opportunity to access information (materials) to be made available electronically (including the Internet) in the course of preparations for the general meeting	Observed	<p>The information (materials) to the meeting is available to the persons entitled to participate in General Meeting of Shareholders to review in the Company's website within 20 days prior to the General Meeting of Shareholders: http://mechel.com</p>
4	shareholders should be entitled to propose a item to be addressed by a general meeting or require calling of a general meeting with no extract from the shareholder register needed (in case the shareholder rights to the shares are recorded in the shareholder register). Where shareholder rights to the shares are recorded in the securities account, a securities account statement shall be sufficient to exercise the above rights	Observed	<p>According to the Regulations on the Open Joint-Stock Company "Mechel" Shareholders General Meeting (a new edition) approved by the Resolution of the Annual Shareholders General Meeting, dated 30.06.2010 (Minutes № 1, dated 02.07.2010)</p> <p>Par.4 of the Art. 4 The Company's board of directors on their own initiative gets the information from the register of registered securities holders about the number of the corresponding category (type) shares owned by the shareholder(s) who have signed the proposal to include items on the agenda for the annual General Meeting and the proposal nominating candidates to the Company's authorities.</p> <p>Par.3 of the Art. 10. The board of directors on their own initiative gets the information from the</p>

			<p>register of holders of registered securities about the number of corresponding category (type) shares owned by the shareholder who have signed the proposal to call extraordinary general meeting.</p> <p>Par.7 of the Art. 4. In case the proposal to include items on the agenda of the annual General Meeting and nomination of candidates to the Company's authorities is signed by the shareholder (or his representative) whose rights to the shares are accounted for deposit account with the depository, and an extract from the shareholder's securities account in a depository executed the registration of rights to the shares must be enclosed to such proposal (demand).</p>
5	the company's charter or bylaws should require that the CEO, members of the management board, directors, members of the auditing commission and external auditor attend general meetings of shareholders	Observed	<p>Par. 2 of the Art. 24 of the Regulations on "Mechel" OJSC Shareholders General Meeting in edition approved by the Annual Shareholders General Meeting of 30.06.2010 (Minutes № 1 of 02.07.2010)</p>
6	candidates should attend the general meeting when discussing election of directors, appointment of the CEO, members of the management board, members of the auditing commission as well as appointment of the company's auditor	Observed	<p>The Art. 17.20 of the charter as at present in force.</p>
7	the company's bylaws should set out a registration process for the company's shareholders general meeting in praesentia	Observed	<p>Section 12 of the Regulations on "Mechel" OJSC Shareholders General Meeting in edition approved by the Annual Shareholders General Meeting of 30.06.2010 (Minutes № 1, dated 02.07.2010)</p>

Board of Directors			
8	the company's charter should state that the board of directors has authority to annual adopt the company's annual financial and business plan	Observed	18.3.1 of the charter as at present in force.
9	there should be a risk management process in the company as approved by the board of directors;	Observed	the Board of Directors Minutes meeting unnumb. of 22.12.2010; the Art. 5 of the Regulations on "Mechel" OJSC board of directors in edition approved by the Annual Shareholders General Meeting of 06.06.2011 (Minutes № 1, dated <u>June 09, 2011</u>)
10	the company's charter should fix the right of the board of directors to make decision on the suspension of powers of the Director General appointed by the General Meeting of Shareholders	-	In accordance with Federal Law No. 208-ФЗ of 26.12.1995 (as amended on 30.11.2011) "On Joint Stock Companies" the Board of Directors has such right if the decision to form a sole executive body is taken by the General Meeting of Shareholders. According to the Art. 18.3.15 of the charter forming of sole executive body of the Company is the competence of the board of directors.
11	the charter should fix the right of the board of directors to establish requirements to the qualifications and amount of compensation of the CEO, members of the Board, heads of the major divisions of the company	Observed	According to the Art. 5 of Regulation on the Company's board of directors it determines the criteria for the formation of managerial staff. This right is executed by the board of directors on the basis of recommendations of the board of directors Appointing and Compensation Committee made in accordance with the Articles 2, 3 of the Provisions of the board of directors Appointing and Compensation Committee
12	the company's charter should state that the board of directors is entitled to approve terms and conditions of the employment contracts entered into with the company's CEO and members of	Observed	The Art. 18.3.15 of the charter as at present in force.

	the management board		
13	the charter and by-laws of the company should require that in approving terms of contracts with the CEO (managing organization, manager) and members of the Board the votes of the members of the board of directors who are the CEO and board members are not taken into account at the counting of votes	-	Such requirements are not fixed in the documents of the Company but are followed in fact, at the voting CEO abstains from the voting. Management board members are not included in the board of directors.
14	the company's board of directors should have at least 3 independent directors meeting the Code of Corporate Conduct requirements;	Observed	Article 18.2. of the Company Articles of Association. Minutes of the Board of Directors as of 28.06.2013
15	the company's directors should not be persons who have been found guilty for committing economic crimes or crimes against the state, government service interests and local authorities' interests or who have been punished administratively for business crimes, financial crimes, tax crimes, securities market crimes;	Observed	
16	a person who is a member, CEO (managing director), member of the management board or employees of an organization competing with the company, shall not serve on the company's board of directors;	Observed	
17	the company's charter should require that directors are elected by cumulative voting;	Observed	The Art. 18.5 of the Company's charter.
18	the company's bylaws should require that directors refrain from actions that could result in a conflict of interests between directors and the company. Where there is such a conflict of interests, directors shall notify the board accordingly	Observed	Chap. 9 of Regulation on the Company's board of directors
19	the company's bylaws should require that directors notify the board in writing of their intention to enter into transactions involving securities of the company or its subsidiaries as well as disclose any such securities transactions made;	Observed	The Art. 7 of Regulation on the Company's board of directors
20	the Company's bylaws should require to hold meetings of the board of directors at least once every six weeks	-	According to par. 1 of the Art. 22 of the board of directors Regulations, the meeting of the board of directors shall be held as needed but at least once a quarter. In fact, "Mechel"

			OJSC board of directors meetings shall be held not less than 1-2 times a week in praesentia with previous dispatch of written opinions
21	board meetings should be held at least every six weeks during the reporting period covered by the company's annual report;	Observed	the board of directors meeting was held during the reporting period not less than once or twice a week.
22	the company's bylaws should describe that process for holding board meetings;	Observed	Chap. 5 of Regulation on the Company's board of directors
23	The Company's bylaws should require provisions of the need for approval of the company's transactions at the rate of 10 percent or more of the value of the company's assets by the board of directors, except for transactions made in the ordinary procedure of business	-	The Company will adhere to the criteria of transactions subject to the approval according to the legislation of the Russian Federation. In addition, the competence of the Management Board includes a decision on the approval of the transaction executed by the Company and associated with the disposal (possible disposal) of non-current assets of the Company, which cost is from 10 to 25 percent of book value of the Company's assets determined as of the date of the decision on the transaction approval, except for interested party transactions.
24	the company's bylaws should state that the board is entitled to obtain information from the company's executive bodies and heads of the company's major departments as required for proper performance by the directors of their duties. Where relevant people or bodies refuse to provide such information, they should be made liable for this;	Observed	The Art. 9 of Regulation on the Company's board of directors
25	the board should have a strategy committee or its functions should be delegated to another committee (except for the audit committee and nomination and compensation committee)	Observed	Chap. 10 (the Art. 36 of Regulation on the Company's board of directors
26	the board should have an audit committee to recommend the company's auditor to the board and dialogue with the auditor and the company's auditing commission;	Observed	According to the Art. 37 of Regulation on the Company's board of directors the Company's Audit Committee of the board of

			directors which gives these recommendations is at "Mechel" OJSC (par. 4.2., 6.7 of Regulations on the board of directors Audit Committee approved by the board of directors decision (Minutes of 18.12.2006)
27	the audit committee should be solely made up of independent non-executive directors;	Observed	The Art. 6.2. of Regulations on the Company's Audit Committee of the board of directors. The board of directors Audit Committee includes (the board of directors Minutes of meeting of 28.06.13): Roger Ian Gale; Arthur David Johnson; Gusev Vladimir Vasilyevich All committee members have the status of independent and non-executive directors.
28	the audit committee should be chaired by an independent director;	Observed	The Art. 7.2. the Regulations on "Mechel" OJSC board of directors audit committee. Roger Ian Gale - an independent member of the board of directors was elected as the Chairman of the committee by the board of directors decision (Minutes unnumb. of 28.06.2013);
29	the company's bylaws should state that all audit committee members are entitled to access any of the company's documents and information subject to nondisclosure obligations;	Observed	Par. 5.12 of the Regulations on the Company's board of directors Audit Committee.
30	the board should have a nomination and compensation committee to be in charge of setting criteria for selecting candidates for the board and developing the company's remuneration policy	Observed	According to the Art. 38 of the Regulations on the board of directors the nomination and compensation committee of the board of directors is in "Mechel" OJSC
31	the nomination and compensation committee should be chaired by an independent director	Observed	The Art. 5 of the Regulations of the Company's nomination and compensation committee of the board of directors. Gusev Vladimir

			Vasilevich- a board of directors independent member was elected as the Chairman of the committee by the board of directors decision (Minutes unnumb. of 28.06.2013);
32	the company's executive officers may not serve on the company's nomination and compensation committee;	Observed	Nomination and compensation committee is elected as follows: Yuriy N. Malyshev; Roger Ian Gale; Igor Stepanovich Kozhukhovskiy; Vladimir Vasilevich Gusev (Minutes unnumb. of 28.06.2013) These members of nomination and compensation committee are not executive officers of the Company.
33	Foundation of risk committee of the board of directors or the assignation of the functions of this committee to another committee (with the exception of the audit committee and the nomination and compensation committee)	-	The system of the Company risk management does not provide for the establishment of the Risks Management Committee of the Board of Directors. At Mechel OAO, the Board of Directors evaluates directly the political, financial and other risks affecting the Company activities (Article 5 of the Regulations of the Company Board of Directors). In addition, in order to reduce the negative impact of external and internal factors on the Mechel OAO activity, the Department of Risk Management is established in the Company.
34	Foundation of the board of directors corporate conflicts committee or the assignation of the functions of this committee to another committee (with the exception of the audit committee and the nomination and compensation committee)	It is observed partially	It is observed partially. In accordance with Clause 7.4. of the Code of Corporate Conduct in case of a corporate conflict, the Company Board of Directors shall create an interim committee on reconciliation of corporate

			conflicts responsible for the dispute settlement in order to resolve this conflict.
35	the company's executive officers may not serve on the company's corporate conflicts committee	-	It is observed partially. In accordance with Clause 7.4. of the Code of Corporate Conduct in case of a corporate conflict, the Company Board of Directors shall create an interim committee on reconciliation of corporate conflicts responsible for the dispute settlement in order to resolve this conflict.
36	the corporate conflicts committee should be chaired by an independent director	-	It is observed partially. In accordance with Clause 7.4. of the Code of Corporate Conduct in case of a corporate conflict, the Company Board of Directors shall create an interim committee on reconciliation of corporate conflicts responsible for the dispute settlement in order to resolve this conflict.
37	the company should have board-approved bylaws governing the formation and operation of the board committees	Observed	<p>The following documents are approved by the board of directors:</p> <ul style="list-style-type: none"> - Regulations on the Company's board of directors Audit Committee (approved by the board of directors (Minutes unnumb. of 04.03.09) - Regulations on the Company's board of directors investments and corporate planning committee (approved by the board of directors, Minutes unnumb. of 06.08.07; - Regulations on the Company's board of directors nomination and compensation committee (approved by the board of directors, Minutes unnumb. of 04.03.09)

38	the company's charter should describe the process for determining the board quorum so that independent directors were always present;	Observed	The Art. 18. 13 of the Company's charter.
Executive bodies			
39	the company should have a collective executive body (management board)	Observed	According to the Art. 19. 1 of the Company's Charter a collegial executive body - Management Board is formed in the Company.
40	the company's charter or bylaws should require that the management board approves the company's real estate transactions and loan transactions, except for major transactions or transactions made in the normal course of business	Observed	In accordance with the Company's charter the competence of the Management Board includes a decision on the approval of the transaction executed by the Company and associated with the disposal (possible disposal) of the Company's non-current assets which cost is from 10 to 25 percent of book value of the Company's assets determined as of the date of the decision on the transaction approval, except for interested party transactions.
41	the company's bylaws should require procedures for agreement of the operations that are outside the framework of the company's financial and business plan	-	In accordance with the Company Articles of Association, the Board of Directors shall approve the annual and quarterly budgets (financial plans). If the operations are beyond the financial and economic plan of the Company, appropriate amendments to the budget (financial plan) shall be subject to approval by the Board of Directors.
42	a person who is a member, CEO (managing director), member of the management body or employee of an organization competing with the company, shall not serve on the company's executive bodies;	Observed	

43	the company's executive bodies should not include persons who have been found guilty for committing economic crimes or crimes against the state, government service interests and local authorities' interests or who have been punished administratively for business crimes, financial crimes, tax crimes, securities market crimes. Where a management company acts as the company's sole executive body, the CEO and members of the management company should meet the requirements set for the company's CEO and members of the management board;	Observed	
44	the company's charter or bylaws should prohibit the managing company (manager) to perform similar functions in a competing company, and to be in any other property relations with the joint-stock company, in addition to providing services to the managing company (manager)	-	Charter and internal documents do not provide for this prohibition. Company is not delivered or is planning to transfer the functions of the sole executive body of the managing organization
45	the company's bylaws should fix responsibilities of executive authorities to refrain from actions that will or may potentially lead to a conflict between their interests and the interests of the joint-stock company, and in case of such conflict the obligation to inform the board of directors	Observed	Such responsibilities are provided with the Regulations on standards of business conduct and ethics approved by the board of directors decision (Minutes unnumb. of 14.10.2004)
46	the company's charter and bylaws should fix the selection criteria of the managing company (manager)		The Articles of Association and the internal documents do not provide for the specified prohibition. The Company did not delegate and has no plans to delegate the functions of the sole executive body to the managing organization.
47	Executive boards should monthly give the reports of their work to the board of directors.	Observed	
48	contracts entered into with the company's CEO (management company) and members of the management board should establish liability for breaching the confidentiality obligations;	Observed	
Secretary of the company			
49	the company shall have a special officer (secretary of the company) who is responsible for the guarantee of abidance of procedural requirements which ensure the execution of the rights and lawful interests of shareholders by the company's authorities and officials	Observed	At the Company, the task of provision of the corporate standard observance by the bodies and the officials, including the requirements that guarantee the exercising the Company rights and lawful interests is entrusted

			on the officials of the Department of Corporate Management.
50	the company's charter and bylaws should fix procedure of appointment (election) of the company's secretary and its obligations	–	The company does not provide the appointment (election) of the company's secretary
51	the company's charter should fix the requirements to the candidate to the company's secretary	-	The company does not provide the appointment (election) of the company's secretary
Substantial Corporate Actions			
52	the company's charter and bylaws should fix the requirements of substantial transaction approval before its settlement	-	In the Articles of Association and the internal documents, this requirement was not stipulated. In practice when approving a major transaction, the Administrative bodies shall adhere to the principle of preliminary approval.
53	Mandatory involvement of an independent appraiser to estimate the market value of the property which is the subject of a substantial transaction	-	In accordance with article 22.2. of the Company Articles of Association, the Board of Directors may engage an independent appraiser for the cost determination.
54	The company's charter should prohibit adoption at acquisition of joint stock company large shares stock (merger) of any action aimed to protection of the executive bodies interests (members of these bodies) and members of the joint stock company board of directors, as well as worsening the position of shareholders as compared to existing (in particular, prohibition of decision making to issue additional shares, securities convertible into shares or securities granting the right to purchase the company's shares, even if such right of decision making is granted by the charter) by the board before the expected date of shares acquisition	-	In its activities, the Company shall be governed by the legislation of the Russian Federation. Besides, these actions are unlikely for the Company due to the presence of the supervising shareholder.
55	the company's charter should require mandatory involvement of an independent appraiser to assess the current market value of shares and possible changes in their market value as a result of merger		The Charter doesn't include such a provision. The Company hires an independent estimator in the framework of the current legislation. Besides the

			Company's shares are traded at RTS-MMVB as well as at NYSE in the form of ADR
56	the company's charter should not release the purchaser from the obligation to offer to shareholders selling of their ordinary shares of the company (issue-grade securities convertible into the ordinary shares) at the merger	Observed	
57	the company's charter and bylaws shall require the mandatory involvement of an independent appraiser to determine the ratio of shares conversion at the reorganization		Such provision The Charter and the Bylaws don't include such a provision. The Company hires an independent estimator in the framework of the current legislation.
Disclosure of information			
58	there should a board-approved bylaw in place establishing the company's rules of, and approaches to, information disclosure (Information Policy Regulations);	It is observed	Regulations on the Company Information Policy (approved as amended by the Board of Directors, Minutes Unnumbered as of 05.02.2009).
59	The company's bylaws shall require disclosure of information about purposes of shares distribution, persons who intend to acquire distributed shares including large stock of shares as well as whether the highest officials will participate in acquiring of the company's distributed shares.	It is observed partially	Regulations on the Company Information Policy (approved as amended by the Board of Directors, Minutes Unnumbered as of 05.02.2009).
60	the company's bylaws should list documents and materials to be made available to the company's shareholders for taking an informed decision on the agenda items addressed by the general meeting	It is observed partially	Chapter 8 of the Regulations on the General Meeting of Shareholders.
61	the company should have a website to be used by the company for regular disclosure;	It is observed partially	http://www.mechel.ru
62	The company's bylaws shall require disclosure of information about the company's transactions with officials who are the highest officials in accordance with the company's charter, as well as about the company's deals with the companies in which the highest officials, directly or indirectly own 20 percent or more of the joint stock company share capital or to which such persons may otherwise assert a significant influence	It is observed	Regulations on the Company Information Policy (approved as amended by the Board of Directors, Minutes Unnumbered as of 05.02.2009).
63	The company's bylaws shall require to disclosure information about all transactions that may affect the market value of the company's shares.	It is observed partially	Regulations on the Company Information Policy (approved as amended by the Board of

			Directors, Minutes Unnumbered as of 05.02.2009). ;
64	there should be a board-approved bylaw governing the use of essential information on the company's operations, shares and other securities and relevant transactions where such information is not publicly available and its disclosure may materially affect the market value of the company's shares and other securities	It is observed	Regulations on the insider information of Mechel OAO (<i>approved by the Board of Directors, Minutes Unnumbered as of 01.08.2011</i>). Regulations of the Mechel Steel Group Open Joint Stock Company on the use of the information, which disclosure could have a material effect on the market value of securities, approved by the Board of Directors on December 10, 2004.
Control of financial and economic activity			
65	there should be a board-approved process to ensure internal control of the company's financial and business operations	It is observed	The Auditing Committee, which oversees the financial and economic activities of the Company, was formed at the Company. The Regulations on the Auditing Committee was approved by the General meeting of shareholders (Minutes No. 4 as of 24.04.2004). The procedures were also specified in the Regulations on the Service of Internal Audit, approved by the Board of Directors on December 18, 2006, and its amendments and supplements, approved by the Board of Directors on 12.03.2009.
66	there should be a dedicated department in place to ensure compliance with the internal control regulations (control and inspection department)	It is observed	The Company has Internal Control and Audit Department (hereinafter ICAD)
67	the company's bylaws should require that the board is in charge of determining the structure and composition of the company's control and inspection department	It is observed	Paragraph 1.5. of the Regulations on the Office of Internal Control and Audit Department (ICAD) approved by CEO as of 22.12.2010 provides for ICAD organizational structure establishment

68	the company's control and inspection department should not include persons who have been found guilty for committing economic crimes or crimes against the state, government service interests and local authorities' interests or who have been punished administratively for business crimes, financial crimes, tax crimes, securities market crimes	It is observed	
69	a person who serves on the company's executive bodies or is a member, CEO (managing director), member of a management body or employee of an organization competing with the company, shall not serve on the company's control and inspection department	It is observed	
70	the company's bylaws should establish a deadline for the documents and materials to be provided to the control and inspection department as well as the liability of the company's officers and employees for failing to provide relevant information in time	-	In accordance with paragraph 2.2. of the Regulations on the Auditing Committee, in the course of inspection (audit), the Auditing Committee shall be entitled to require the bodies of the Company, heads of departments and services, branches and representative offices as well as the officials to provide the information (documents and materials), which studying falls within the competence of the Auditing Committee.
71	the company's bylaws should require that the company's control and inspection department reports all violations to the audit committee or (where there is no audit committee in place) to the board of director;	It is observed	Paragraph 2.14. of the Regulations on the Office of Internal Control and Audit provides for the obligation of timely informing the Auditing Committee and the General Director about the identified deviations in the Company activities.
72	the company's charter shall require preliminary assessment of transactions feasibility not provided by the company's financial and business plan (non-standard operations) by control and audit service	-	It is not included into the area of responsibility of the Office of Internal Control and Audit (participation in the operating activities contradicts the international standards of internal audit).
73	the company's bylaws shall require the procedure of non-standard operations agreement with the board of directors	-	It is not included into the area of responsibility of the Office of Internal Control and Audit.

74	Availability of bylaw approved by the board of directors that defines the procedure for conducting of the company's financial and economic audit by Audit Commission	-	Section 3 of the Regulations on the Auditing Committee of the Company establishes the procedure for carrying out the inspections (audits) of financial and economic activities of the Company.
75	Evaluation of auditor's report by the audit committee before submitting it to shareholders at the general meeting of shareholders	-	The assessment of the audit opinion, approved by the Audit Committee shall be included into the information provided for the shareholders' getting acquainted and shall be located on the website.
Dividends			
76	The bylaw approved by the board of directors that guides the board of directors at making of recommendations about the dividends amount (Dividend Policy)	It is observed partially	The basic principles of the dividend policy specified by the Articles of Association (article 13 of the Company Articles of Association).
77	The Dividend Policy shall fix the procedure for determining the minimum share of the company's net profits directed to the dividends payment and conditions under which dividends on preferred shares determined by the charter are unpaid or partially unpaid	It is observed partially	The basic procedure for determining the minimum share of the net profit directed for dividend payments and the conditions ... are specified in the Articles of Association (Article 13 of the Company Articles of Association).
78	Publication of information about the company's Dividend Policy and changes in a periodical publication provided by the company's charter to publish notices of shareholders general meetings, as well as the placement of such information on the company's website in the Internet	It is observed partially	In accordance with the current legislation, the Company Articles of Association which contains the information about the Company dividend policy shall be published on the official website of the Company on the Internet.